

FISCAL NOTE

Bill #: HB0740

Title: Elector approved local limited sales tax for levy relief and local funding

Primary Sponsor: Mckenney, J

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

Expenditures:

General Fund

FY 2004

Difference

\$0

FY 2005

Difference

\$0

Revenue:

General Fund

\$0

0

Net Impact on General Fund Balance:

\$0

\$0

- | | |
|---|--|
| <input checked="" type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. This bill would give counties and municipalities the authority to levy a sales tax of 1%, 2% or 3% on the goods and services that would be taxed under SB407, beginning January 1, 2005.
2. The revenue that counties and municipalities would raise would depend on which jurisdictions adopted the tax and the rates they adopted. Taxable sales in the six months of fiscal 2005 when the tax could be in effect would be \$891.406 million. If all jurisdictions adopted a 3% tax and assuming 95% compliance, collections would be \$25.405 million in fiscal 2005 (95% x 3% x \$891.406 million). Taxable sales in fiscal 2006 would be \$1,838.079 million, and if all jurisdictions adopted a 3% tax, collections would be \$52.385 million. If not all jurisdictions imposed the tax or some imposed the tax at 2% or 1%, less would be collected.
3. This bill would require local jurisdictions to use at least 10% of the revenue from local option sales taxes to reduce local property tax levies. If all jurisdictions adopted the tax at the maximum rate local property taxes would be reduced by \$5.239 million. Net revenue to local governments would be \$47.147 million.
4. Several types of revenue, including oil and gas tax, coal gross proceeds tax, and federal forest payments, are divided between the state and local taxing units in proportion to their mill levies. If local mill levies are reduced, the state school and university mills will make up a larger percentage of total mills and the state general fund will receive a larger share of these non-levy revenues. If all local jurisdictions adopted the local option sales tax at the maximum rate and reduced local property taxes by \$5.239 million, non-levy revenue going to the state general fund would increase by approximately \$19,000. If not all

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jurisdictions adopted the tax or some imposed it at a lower rate, the revenue increase to the general fund would be smaller.

5. Local property taxes are deductible in calculating personal income tax. Property tax deductions are 32.5% of total property taxes, and taxpayers who claim a deduction for property taxes have an average tax rate of 5.0%. If all local jurisdictions adopted the local option sales tax at the maximum rate and reduced local property taxes by \$5.239 million, income tax deductions would decrease by \$1.703 million and income tax collections would increase by \$85,000. If not all jurisdictions adopted the tax or some imposed it at a lower rate, the revenue increase to the general fund would be smaller.
6. This bill is void if SB407 is not passed and approved. The Department of Revenue would administer this tax in conjunction with the statewide limited sales tax in SB407. This bill would not impose significant administrative costs on the department beyond those shown in the fiscal note for SB407.

FISCAL IMPACT:

	<u>FY 2004 Difference</u>	<u>FY 2005 Difference</u>
<u>Expenditures:</u>		
Personal Services	0	0
 <u>Funding of Expenditures:</u>		
General Fund (01)	0	0
 <u>Revenues:</u>		
General Fund (01)	0	0
 <u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	0	0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

If all jurisdictions imposed this tax at the maximum rate, net revenue to local governments would be \$47.147 million.